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BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES

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*Ex parte* KEVIN W. SPEAR

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Appeal 2008-003918  
Application 09/812,452  
Technology Center 3600

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Decided: September 30, 2009

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Before, MURRIEL E. CRAWFORD, LINDA E. HORNER, and JOSEPH A.  
FISCHETTI, *Administrative Patent Judges*.

FISCHETTI, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant seeks our review under 35 U.S.C. § 134 of the Examiner's final rejection of claims 1-25. Claims 26-29 are withdrawn from consideration. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

## SUMMARY OF DECISION

We AFFIRM IN PART.

### THE INVENTION

Appellant claims a system and method for using transaction cards to facilitate commercial transactions, more particularly to the use of a hybrid credit card that can be used to conduct revolving credit transactions and private label credit transactions. (Specification 1:3-5)

Claims 1 and 14, reproduced below, are representative of the subject matter on appeal.

1. A hybrid credit card transaction system for processing a transaction, initiated by a cardholder using a hybrid credit card, as either one of a group of virtual standard transactions routed through a clearinghouse or as one of a group of virtual closed loop transactions bypassing the clearinghouse, said transaction system comprising:

a hybrid credit card;

a logic-enabled merchant having a point-of-sale terminal including program logic operable to identify the hybrid credit card and to label the transaction using the hybrid credit card as being one of the virtual closed loop transactions;

an affiliated acquiring entity configured to acquire and direct the virtual standard transactions to the clearinghouse and configured to acquire and direct the virtual closed loop transactions so as to bypass the clearinghouse; and

an affiliated card issuing entity accepting the virtual standard transactions from the clearinghouse and debiting a credit card account and accepting the virtual closed loop transactions and debiting a private label account;

wherein the acquiring entity and card issuing entities are

separate entities affiliated by an agreement to bypass the clearinghouse.

14. A method of processing a transaction, initiated by a cardholder using a hybrid credit card, as either one of a group of virtual standard transactions routed through a clearinghouse or as one of a group of virtual closed loop transactions bypassing the clearinghouse, said method of processing a transaction comprising:

identifying the hybrid credit card using program logic at a point-of-sale of a logic enabled merchant and labeling the transaction using the hybrid credit card as being one of the virtual closed loop transactions;

acquiring and directing the virtual standard transactions to the clearinghouse and acquiring and directing the virtual closed loop transactions so as to bypass the clearinghouse using an affiliated acquiring entity; and

accepting the virtual standard transactions from the clearinghouse and debiting a credit card account and accepting the virtual closed loop transactions and debiting a private label account using an affiliated card issuing entity;

wherein the affiliated acquiring entity and affiliated card issuing entities are separate entities affiliated by an agreement to bypass the clearinghouse.

#### THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Pitroda	5,590,038	Dec. 31, 1996
Teicher	6,065,675	May 23, 2000
Praisner	2002/0174030 A1	Nov. 21, 2002

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Lee, Insup, *EMTM 553: E-Commerce Systems* (2000) (hereinafter “EMTM”).

Friedman, Jack P., *Dictionary of Business Terms*, Barron’s Business Guides, 3d. Ed. (2000 (hereinafter “Dictionary”).

Card Member Agreement,  
[https://www66.americanexpress.com/eapp/hk/sbs/cardmemberagreement\\_hk\\_sbs.jsp](https://www66.americanexpress.com/eapp/hk/sbs/cardmemberagreement_hk_sbs.jsp) (2003) (hereinafter “American Express”).

Applicant’s Admitted Prior Art (hereinafter “Background”).

The following rejections are before us for review.

The Examiner rejected claims 1-5, 8, 9, 12, 14-17, 20-21 and 24 under 35 U.S.C. §103(a) over the Background in view of Pitroda and EMTM.

The Examiner rejected claims 6, 7, 18 and 19 under 35 U.S.C. §103(a) over the Background, Pitroda, EMTM and Praisner.

The Examiner rejected claims 10 and 22 under 35 U.S.C. §103(a) over the Background, Pitroda and Dictionary.

The Examiner rejected claims 11 and 23 under 35 U.S.C. §103(a) over the Background, Pitroda, EMTM and American Express.

The Examiner rejected claims 13 and 25 under 35 U.S.C. §103(a) over the Background, Pitroda, EMTM and Teicher.

## ISSUES

Has Appellant shown that the Examiner erred in rejecting claims 1-5, 8, 9, and 12 on appeal as being unpatentable under 35 U.S.C. § 103(a) over the Background in view of Pitroda and EMTM, on the grounds that a person with ordinary skill in the art would understand that because the Pitroda system is capable of processing both traditional and closed loop card transactions, it meets the claim requirement of *an affiliated acquiring entity configured to acquire and direct the virtual standard transactions to the clearinghouse and configured to acquire and direct the virtual closed loop transactions so as to bypass the clearinghouse?*

Has Appellant shown that the Examiner erred in rejecting claims 14-17, 20-21 and 24 on appeal as being unpatentable under 35 U.S.C. § 103(a) over the Background in view of Pitroda and EMTM on the grounds that a person with ordinary skill in the art would understand that because the Pitroda system discloses that “[to] initiate ... [a] transaction, the sales person enters the appropriate command on the keyboard or keypad on the CIU” (Pitroda, col. 16, ll. 35-37), it meets the claim requirement of *using program logic at a point-of-sale of a logic enabled merchant and labeling the transaction using the hybrid credit card as being one of the virtual closed loop transactions?*

## PRINCIPLES OF LAW

### *Obviousness*

“Section 103 forbids issuance of a patent when ‘the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.’” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). *See also KSR*, 550 U.S. at 407 (“While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.”)

### *Claim Construction*

During examination of a patent application, pending claims are given their broadest reasonable construction consistent with the specification. *In re Prater*, 415 F.2d 1393, 1404-05 (CCPA 1969); *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004).

The general rule is that terms in the claim are to be given their ordinary and accustomed meaning. *Johnson Worldwide Assocs. v. Zebco Corp.*, 175 F.3d 985, 989 (Fed. Cir. 1999).

## FINDINGS OF FACT

We find the following facts by a preponderance of the evidence:

1. The Specification describes a typical credit card transaction in the context of:

a cardholder makes a purchase at a merchant and the merchant forwards the transaction to an acquiring bank. The acquiring bank processes the transaction for a fee and sends the transaction through a credit card association network (VISA, MASTERCARD, AMERICAN EXPRESS, etc.). The credit card association network further processes the transaction for a fee and sends the transaction to the card sponsoring bank. The card sponsoring bank then posts the transaction to the cardholder's credit account.

(Specification 1: 20-26)

2. The Specification describes an “on-us” or closed loop transaction in the context of:

...the acquiring bank and the sponsoring bank are the same entity, which allows the acquiring bank to clear the transaction without forwarding the transaction through the credit card association network and incurring a predetermined fee, or other additional fees.

(Specification 1:27-2:3)

3. The Specification describes the term “hybrid credit card” as being “used broadly to denote a form of identification of an account or accounts that can even be independent of a physical card.” (Specification 6:15-17)



4. The Specification describes the term logic as detecting data on a credit card such that a:

...hybrid credit card includes a credit card identification number having a first string associated with the private label line of credit 16 and a second string associated with the credit card account 12. The logic-enabled merchant 17 detects the first string using program logic resident within a logic-enabled point of sale terminal. The pairing of the hybrid credit card and the logic-enabled point of sale terminal facilitates the discrete processing of a set of virtual closed loop transactions without interfering with the functionality of the point of sale terminal in its role as a data capture device for standard credit card transactions.

(Specification 7:16-23)

5. Pitroda discloses a Universal Electronic Transaction (UET) Card that has a non erasable unique number which is assigned to it for "...credit card account information 404, such as American Express, Visa, Diners Club, containing data similar to that stored in present plastic card magnetic strips along with the visible information on the cards..." (Pitroda, col. 11, ll. 41-42 and 50-53)

6. Pitroda discloses a communications interface unit (CIU) whereby:

[to] initiate [a] transaction, the sales person enters the appropriate command on the keyboard or keypad on the CIU. The CIU receives the appropriate information from the UET card regarding the user's American Express account, such as the user's name, address, the UET serial

number, the American Express account number, account expiration date, and PIN number. The CIU dials the telephone number of the American Express credit service, and when the telephone call is connected, it sends the information received from the UET card to the American Express credit service, plus information from the point of sales store, such as the retailer identification number, the amount of the transaction, etc.

(Pitroda, col. 16, ll. 35-47)

7. Pitroda discloses using the issuing entity, American Express, as the acquiring entity in that:

[t]he American Express service then provides a credit check and, if appropriate, sends an authorization number to the CIU. At this juncture, the American Express service could, optionally, update the credit card information in the UET card for additional, dynamic, security. After the CIU receives the authorization number, the user is then required to authorize the transaction, which is displayed on the UET card....

(Pitroda, col. 16, ll. 50-57)

8. In Pitroda, the issuing entity, American Express, ultimately accepts the closed loop transaction and debits a private label account in that:

[i]f the sales person is satisfied with the signature comparison, the sales person completes the transaction, and the CIU transmits completed details of the sales transaction to the point of sales computer, the UET card, and the American Express service. Those details include the date of the transaction, the amount, the name of the retail

store or service (for the UET card and the American Express service records), the name of the customer (for the American Express and point of sales computers), etc.

(Pitroda, col. 16, l. 65-col. 17, l. 6)

9. Pitroda does not disclose wherein the acquiring entity and card issuing entities are separate entities affiliated by an agreement to bypass the clearinghouse.

10. EMTM discloses that American Express is a closed loop system because “banks and other financial institutions serve as brokers between card users and merchants -- no other institution is involved”. (EMTM, p. 47)

11. EMTM discloses that Visa and Mastercard are examples of open loop or traditional systems because the “[t]ransaction is processed by a third party”. (EMTM, p. 47)

12. The Examiner found that “the claim language does not exclude the situation where a merchant has an acquiring entity, and multiple issuing entities with which it does business. The merchant's acquiring entity may be configured to accept both clearinghouse transactions and closed loop ‘on-us’ transactions. The transactions may be processed through card issuing entities, who receive the transactions from a clearinghouse, as is known in the art, or in the case of the ‘on-us’ transaction, all processing is done internally.” (Answer 12)

13. Page 8 of the American Express webpage reads “American Express International, Inc. August 2003.”

14. It is our understanding that the practice of requiring periodic payment in full of an unsecured line of credit is a well known way of insuring recovery of money owed to the credit giver.

15. The Examiner found that “Applicant's admission does not disclose the specific limitations of the merchant using a POS terminal and labeling a particular transaction. These limitations are disclosed by *Pitroda* at Col. 4, lines 9-32 and Col. 16, line 21 to Col. 17, [line] 6, particularly Col. 16, lines 50-54 respectively.” (Answer 4)

#### ANALYSIS

We affirm the rejections of claims 1-13, and reverse the rejections of claims 14-25.

Preliminarily, we address the scope of the claims. Claims 1-13 are directed to a system, and claims 14-25 are directed to a method. In independent claim 1, some system elements are recited in functional terms, whereas the corresponding items in the method claim 14 are positively recited steps. For example, the POS terminal logic is functionally recited in claim 1 as “*including program logic operable to identify the hybrid credit card and to label the transaction using the hybrid credit card....*” In contrast, the POS terminal logic in claim 14 is recited as a positive step or limitation, by “*identifying the hybrid credit card using program logic at a point-of-sale of a logic enabled merchant and labeling the transaction using the hybrid credit card as being one of the virtual closed loop*

*transactions....*” Thus, the scope of independent claims 1 and 14 differs, and each independent claim will be accordingly addressed separately.

But, common to both independent claims is the term “hybrid credit card.” The Specification maintains that this term is to be interpreted and “used broadly to denote a form of identification of an account or accounts that can even be independent of a physical card.” (FF 3) We thus read the UET card of Pitroda as a hybrid credit card because Pitroda discloses that the card has a non erasable unique number which is assigned to it for credit card account information, such as American Express or Visa, as prescribed by the Specification. (FF 5)

#### *Claims 1-13*

Appellant’s arguments against each of the rejections made under 35 U.S.C. § 103(a) are based on perceived deficiencies of the Background, Pitroda, EMTM, Teicher and Praisner inasmuch as each shares the common deficiency of failing to disclose an acquiring entity and a card issuing entity as separate entities affiliated by an agreement to bypass a clearinghouse. (Appeal Br. 5-9). Accordingly, we discuss the 35 U.S.C. § 103(a) rejections together, addressing each of Appellant’s arguments in turn.

While there may not be an explicit disclosure in the prior art relied on by the Examiner of a closed loop system with an acquiring entity and a card issuing entity as separate entities, the Examiner nevertheless found that the prior art merchant's acquiring entity may be configured to accept both clearinghouse transactions and closed loop transactions (FF 12). We agree

with the Examiner.

Independent claim 1 recites “*an affiliated acquiring entity configured to acquire and direct the virtual standard transactions to the clearinghouse and configured to acquire and direct the virtual closed loop transactions so as to bypass the clearinghouse.*” We find that Pitroda’s UET card is disclosed as being a Visa or American Express card, e.g., a traditional or a closed loop card, respectively (FF 5, 10, 11). Thus, the Pitroda system is capable of processing both traditional and closed loop card transactions. The above claim limitation fails to recite any device which is configurable, such as in the case with a computer memory configured by code. Rather, this language only recites that an entity is configured to acquire and direct transactions, leaving open a myriad of possible configurable forms of the entity. As such, we interpret this language to be functional. As functional language, we are required only to give it weight to the extent that the prior art is or is not capable of meeting the limitation. *In re Schreiber*, 128 F.3d 1473, 1477-78 (Fed. Cir. 1997). Since we found that Pitroda is capable of processing both traditional or a closed loop card transactions (FF 5), Pitroda is thus capable of using the acquiring entity from the traditional side to direct transactions directly to an issuing entity in the case where a closed loop transaction is involved.

Likewise, the claim recitation of “*the affiliated acquiring entity and affiliated card issuing entity are separate entities affiliated by an agreement to bypass the clearinghouse*” does not involve a device, but rather represents

abstract legal concepts covering corporate identities and a meeting of the minds. Such concepts within the context of the apparatus system of claim 1 cannot further distinguish the apparatus in the sense that the structure of the involved apparatus becomes physically different simply because the abstract concepts are included in the claim. Since most any entity is capable of entering into agreement with another to conduct business as each mutually agrees and within the limits of the law, we find that the prior art systems in either the Background (FF 1-4) and/or Pitroda (FF 5-9) are capable of directing an acquiring entity to bypass a clearinghouse by mutual agreement.

*Pitroda*

Appellant additionally argues that “[t]he point-of-sale terminal of Pitroda has no logic enabled to detect and label a closed loop transaction so that a separate, but affiliated, acquiring entity and issuing entity can bypass a clearinghouse.” (Appeal Br. 7) However, claim 1 only requires the terminal to identify the card and label it as one of the virtual closed loop transactions. As found *supra* (FF 5), Pitroda discloses the processing of a credit card transaction using a UET card and detecting/labeling same via a non erasable unique number which is assigned to it for credit card account information. In so doing, Pitroda identifies the involved card as a closed loop transaction, e.g., one involving American Express (FF 10). Nowhere does claim 1 require the terminal to distinguish between an open or closed loop transaction as Appellant’s arguments tend to suggest.

*Praisner*

Appellant does not present any separate arguments concerning the Examiner's application of Praisner in the rejection of claims 6 and 7, which depend from claim 1. Thus, Appellant has failed to persuade us of error in the rejection of claims 6 and 7 for the same reasons as set forth above in our analysis of claim 1.

*Teicher*

Appellant additionally argues that the Examiner erred in rejecting claim 13, because in Teicher, "detection of the ID number and routing of the transaction occurs at the point-of-sale and not at the acquirer." (Appeal Br. 8) However, that argument is not well taken because claim 1, from which claim 13 depends, recites that the logic-enabled merchant's point-of-sale terminal similarly identifies or detects the hybrid credit card and thus makes the argument unpersuasive.

*American Express Webpage*

Appellant additionally argues that "[w]ith respect to the American Express webpage, this document has a date of January 11, 2006 and does not appear to be prior art. The present application was filed on March 20, 2001." (Appeal Br. 9) The Examiner applied the American Express Webpage to the rejection of claim 11. (Answer 8) Claim 11 recites in pertinent part that "*the private label line of credit is an unsecured credit line that must be periodically paid in full.*" We find that the American Express Webpage does not qualify as a reference because the pertinent date is printed on page 8 of



the document and reads “American Express International, Inc. August 2003” (FF 13), which date is later than Appellant’s March 20, 2001 filing date.

Notwithstanding, we find that the practice of requiring a periodic payment in full of an unsecured line of credit is a well known way of insuring recovery of money owed to the credit giver (FF 14). Thus, we will sustain the rejection based on this finding.

*Dictionary*

The Examiner relied on the Dictionary definition of “revolving credit” to reject claim 10 which recites that the “*credit card account includes a revolving credit line.*” Appellant additionally argues “[t]he dictionary definition of ‘revolving credit’ discloses nothing about labeling or clearance of a closed loop line of credit.” (Appeal Br. 9) We do not find this argument persuasive because nothing in claim 10 requires labeling or clearance, and these terms were addressed by the Examiner in the base combination involving claim 1 which we sustain.

Accordingly, we sustain the rejections of claims 1-13 made under 35 U.S.C. § 103(a) for the reasons given above, respectively.

*Claims 14-25*

Independent claim 14, a method claim, positively recites the steps of “identifying the hybrid credit card *using program logic at a point-of-sale of a logic enabled merchant* and *labeling the transaction* using the hybrid credit card as being one of the virtual closed loop transactions....” The Examiner relies on Pitroda to disclose this feature (FF 15). However,

Pitroda discloses that “[to] initiate [a] transaction, the sales person enters the appropriate command on the keyboard or keypad on the CIU.” (FF 6) In contrast, the Specification describes it is the logic at the POS enabled merchant and not a sales person, which detects different strings of data carried on the hybrid card to effect the identifying step (FF 4). Accordingly, since we do not find that Pitroda discloses identifying a card using program logic, we cannot then sustain the rejection of claim 14. Since claims 15-17, 20-21 and 24 depend from claim 14, and since we cannot sustain the rejection of claim 14, the rejection of claims 15-17, 20-21 and 24 likewise cannot be sustained.

As the rejections of claims 18, 19, 22, 23, and 25 fail to cure the deficiency of the rejection of claim 14, we will also not sustain the rejection of these claims.

### CONCLUSIONS OF LAW

We conclude the Appellants have not shown that the Examiner erred in rejecting claims 1-5, 8, 9, and 12 under 35 U.S.C. §103(a) over the Background in view of Pitroda and EMTM, and has shown that the Examiner erred in rejecting claims 14-17, 20-21 and 24.

We conclude the Appellants have not shown that the Examiner erred in rejecting claims 6 and 7 under 35 U.S.C. §103(a) over the Background,

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Pitroda, EMTM and Praisner, and has shown that the Examiner erred in rejecting claims 18 and 19.

We conclude the Appellants have not shown that the Examiner erred in rejecting claim 10 under 35 U.S.C. §103(a) over the Background, Pitroda and Dictionary, and has shown that the Examiner erred in rejecting claim 22.

We conclude the Appellants have not shown that the Examiner erred in rejecting claim 11 under 35 U.S.C. §103(a) over the Background, Pitroda, EMTM and American Express, and has shown that the Examiner erred in rejecting claim 23.

We conclude the Appellants have not shown that the Examiner erred in rejecting claim 13 under 35 U.S.C. §103(a) over the Background, Pitroda, EMTM and Teicher, and has shown that the Examiner erred in rejecting claim 25.

#### DECISION

The decision of the Examiner to reject claims 1-13 is AFFIRMED.

The decision of the Examiner to reject claims 14-25 is REVERSED.

AFFIRMED-IN-PART

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